

**FINANCIAL REPORT
LAKEVIEW CEMETERY BOARD
EMMET COUNTY, MICHIGAN
December 31, 2004**

AUDITING PROCEDURES REPORT

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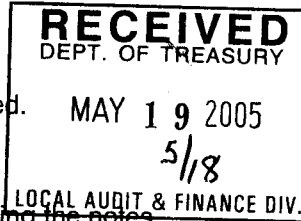
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Lakeview Cemetery Board	County Emmet
Audit Date December 31, 2004	Opinion Date May 2, 2005	Date Accountant Report Submitted to State: May 23, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the *Statements of the Governmental Accounting Standards Board (GASB)* and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.



You must check the applicable box for each item below

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended)
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129-91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs. (program audits).			X
Single Audit Reports (ASLGU)			X
Certified Public Accountant (Firm Name) Hill Schroderus & Co., LLP			
Street Address 923 Spring Street, P.O. Box 695	City Petoskey	State MI	Zip 49770
Accountant's Signature 			

**LAKEVIEW CEMETERY BOARD
FINANCIAL REPORT
December 31, 2004**

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Hill • Schroderus & Co., LLP
Certified Public Accountants & Consultants

May 2, 2005

Independent Auditors' Report

Board Members
Lakeview Cemetery Board
Harbor Springs, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Lakeview Cemetery Board, Harbor Springs, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Cemetery's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cemetery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Lakeview Cemetery Board as of December 31, 2004 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Cemetery has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2004.

The Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hill Schroderus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

Management's Discussion and Analysis

Overview of the Basic Financial Statements

Lakeview Cemetery Board's basic financial statements include three financial statements and notes to the financial statements. This report also contains required and other supplemental information in addition to the basic financial statements. Because this is the first year of implementation of GASB statement No. 34, prior year numbers are not presented within the Management's Discussion and Analysis. A comparative analysis will be provided in future years when prior year information is available.

Under GASB statement No. 34, the Cemetery is considered to be a special purpose governmental unit due to engaging in only one type of activity. Therefore, the statement of net assets is combined with the balance sheet and the statement of activities is combined with the statement of revenues, expenditures and change in fund balance statement. The statement of revenues, expenditures, and changes in fund balance – budget to actual was prepared on the modified accrual basis.

Government-wide Financial Columns

The government-wide columns (Statement of Net Assets and Statement of Activities) are designed to provide readers with a broad overview of the Cemetery's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the Cemetery's assets and liabilities, with the difference reported as *net assets*. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net cost of the Cemetery's operations.

Fund Financial Columns

The focus of the fund financial columns is on the sources and uses of funds during the current year.

The Cemetery maintains one individual governmental fund. Information is presented in the governmental fund balance sheet column and the governmental fund statement of revenues, expenditures and changes in fund balances column.

Notes to the Financial Statements

The notes provide additional information which is essential to a full understanding of the data provided in the financial statements.

Government-wide Financial Analysis

The table below summarizes the Cemetery's net assets as of December 31, 2004:

LAKEVIEW CEMETERY BOARD December 31, 2004

	Governmental Activities
Assets	
Current and other assets	\$ 172,773
Capital assets - net of accum dep	136,573
Total assets	309,346
Liabilities	
Current liabilities	114,566
Net Assets	
Investment in capital assets	136,573
Unrestricted	58,207
Total net assets	\$ 194,780

At the end of the fiscal year, the Cemetery is able to report positive balances in both categories of net assets. The first portion of the Cemetery's net assets is its investment in capital assets. The Cemetery uses these capital assets in providing its services, consequently these assets are not available for future spending.

The remaining portion of net assets, unrestricted net assets, may be used at the Cemetery's discretion to meet ongoing obligations.

The results for the Cemetery as a whole are reported in the Statement of Activities, which is summarized below:

LAKEVIEW CEMETERY BOARD
Year Ended December 31, 2004

	<u>Governmental Activities</u>
Revenue	
Program revenue:	
Sale of Lots	\$ 8,550
Grave openings	8,400
General revenue:	
Property taxes	103,865
Interest	1,122
Sale of equipment	959
	<hr/>
Total revenues	122,896
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Function Expenses	
Cemetery operations	111,310
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Change in net assets	11,586
Net assets - beginning of year	183,194
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Net assets - end of year	\$ 194,780
	<hr/> <hr/>

As reported above, the Cemetery recorded \$111,310 of expenses. The majority of the Cemetery's activities were funded with property taxes of \$103,865.

Fund Financial Analysis

As of year end, the governmental fund reported a fund balance of \$58,207, which is \$16,491 more than the beginning of the year.

General Fund Budgetary Highlights

Final revenues were higher than final budgeted amounts by \$6,396. This was primarily due to more lot sales and property taxes than expected.

Final expenditures were lower than final budgeted amounts by \$4,795. This was due to lower than expected payroll costs and less repair and maintenance expenditures.

Capital Assets

At December 31, 2004 the District had \$136,573 invested in capital assets. The following table summarizes the capital asset activity for the year:

LAKEVIEW CEMETERY BOARD Year Ended December 31, 2004

	<u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Dec. 31, 2004</u>
Capital assets not being depreciated:				
Land	<u>\$ 28,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,111</u>
Capital assets being depreciated:				
Buildings	47,718	-	-	47,718
Site improvements	76,040	-	-	76,040
Equipment	<u>75,728</u>	<u>10,713</u>	<u>9,963</u>	<u>76,478</u>
Subtotal	<u>199,486</u>	<u>10,713</u>	<u>9,963</u>	<u>200,236</u>
Less accumulated depreciation:				
Buildings	11,759	1,317	-	13,076
Site improvements	28,157	5,232	-	33,389
Equipment	<u>46,203</u>	<u>9,069</u>	<u>9,963</u>	<u>45,309</u>
Subtotal	<u>86,119</u>	<u>15,618</u>	<u>9,963</u>	<u>91,774</u>
Net capital assets being depreciated	<u>113,367</u>	<u>(4,905)</u>	<u>-</u>	<u>108,462</u>
Governmental activities net capital assets	<u>\$ 141,478</u>	<u>\$ (4,905)</u>	<u>\$ -</u>	<u>\$ 136,573</u>

Economic Factors

The Cemetery is primarily funded by property taxes which have provided a reliable funding base. Operating expenditures/expenses have also been relatively stable. There are no significant changes expected in the near future.

Financial Contact

The Cemetery's financial statements are designed to present users with a general overview of the Cemetery's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Cemetery's office.

LAKEVIEW CEMETERY BOARD
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
December 31, 2004

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
<u>Assets</u>			
Cash	\$ 63,540	\$ -	\$ 63,540
Taxes receivable	109,233	-	109,233
Capital assets, net of accumulated depreciation	-	136,573	136,573
Total assets	<u>\$ 172,773</u>	<u>136,573</u>	<u>309,346</u>
<u>Liabilities</u>			
Accrued expenditures/expenses	\$ 5,333	-	5,333
Deferred property tax revenue	109,233	-	109,233
Total liabilities	<u>114,566</u>	<u>-</u>	<u>114,566</u>
<u>Fund Balance/Net Assets</u>			
Fund Balance - unreserved	<u>58,207</u>	<u>(58,207)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 172,773</u>		
Net Assets			
Invested in capital assets		136,573	136,573
Unrestricted		58,207	58,207
Total net assets		<u>\$ 194,780</u>	<u>\$ 194,780</u>

LAKEVIEW CEMETERY BOARD
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance
Statement of Activities
For the Year Ended December 31, 2004

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
Expenditures/expenses:			
Operations:			
Wages	\$ 56,396	\$ -	\$ 56,396
Employee health insurance	12,460		12,460
Payroll taxes	4,229	-	4,229
Legal and accounting	2,085	-	2,085
Parts and supplies	2,586	-	2,586
Utilities	3,461	-	3,461
Purchased services	6,805	-	6,805
Insurance	7,670	-	7,670
Capital outlay - equipment	10,713	(10,713)	-
Total operating expenditures/expenses	106,405	(10,713)	95,692
Non-operating:			
Depreciation expense	-	15,618	15,618
Total expenditures/expenses	106,405	4,905	111,310
Program revenues:			
Sale of lots	8,550	-	8,550
Grave openings	8,400	-	8,400
Total program revenues	16,950	-	16,950
Net program expense			94,360
General revenues:			
Property taxes	103,865	-	103,865
Interest	1,122	-	1,122
Sale of equipment	959	-	959
Total general revenues	105,946	-	105,946
Excess of revenues over expenditures/change in net assets	16,491	(4,905)	11,586
Fund balance/net assets - beginning of year	41,716	141,478	183,194
Fund balance/net assets - end of year	\$ 58,207	\$ 136,573	\$ 194,780

See accompanying notes to financial statements. 3

LAKEVIEW CEMETERY BOARD
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Over/(Under) Budget
Revenues:				
Sale of lots	\$ 6,000	\$ 6,000	\$ 8,550	\$ 2,550
Grave openings	8,000	8,000	8,400	400
Property taxes	101,000	101,000	103,865	2,865
Interest	1,500	1,500	1,122	(378)
Sale of equipment	-	-	959	959
Total revenues	<u>116,500</u>	<u>116,500</u>	<u>122,896</u>	<u>6,396</u>
Expenditures:				
Wages	60,000	60,000	56,396	(3,604)
Employee health insurance	10,000	10,000	12,460	2,460
Payroll taxes	5,000	5,000	4,229	(771)
Legal and accounting	2,500	2,500	2,085	(415)
Parts and supplies	3,100	3,100	2,586	(514)
Utilities	3,200	3,200	3,461	261
Purchased services	5,000	5,000	6,805	1,805
Repairs and maintenance	2,200	2,200	-	(2,200)
Insurance	7,300	7,300	7,670	370
Miscellaneous	900	900	-	(900)
Capital outlay - equipment	<u>12,000</u>	<u>12,000</u>	<u>10,713</u>	<u>(1,287)</u>
Total expenditures	<u>111,200</u>	<u>111,200</u>	<u>106,405</u>	<u>(4,795)</u>
Excess of revenue over expenditures	5,300	5,300	16,491	11,191
Fund balance - beginning of year	<u>41,716</u>	<u>41,716</u>	<u>41,716</u>	-
Fund balance - end of year	<u>\$ 47,016</u>	<u>\$ 47,016</u>	<u>\$ 58,207</u>	<u>\$ 11,191</u>

LAKEVIEW CEMETERY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lakeview Cemetery Board was incorporated April 28, 1897, under the provisions of Act 411 of Local Acts of Michigan in 1897. The Cemetery operates under a Board form of government and provides for a joint board from the townships of Little Traverse, West Traverse and the City of Harbor Springs in Emmet County.

The Cemetery's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Cemetery's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the significant policies used by Lakeview Cemetery:

Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement (GASBS) No. 14 (and amended by GASBS No. 39). GASBS 14 states the primary basis for determining whether outside agencies and organizations should be considered component units of the Cemetery and included in the Cemetery's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Cemetery has no component units.

Basis of Accounting

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. In accordance with Statement No. 34, the Cemetery is considered to be a Special Purpose Government due to engaging in only one governmental type of activity. To conform with the Statement, the Cemetery has included a Management's Discussion and Analysis section.

The government-wide columns (Statement of Net Assets and Statement of Activities) are reported using the economic resources measurement focus and the accrual method of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Program revenues are those directly associated with providing cemetery type services and include sale of lots and grave openings.

Governmental fund columns (Modified Accrual Basis) are reported using the resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. The Cemetery considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Equity

Governmental funds report reserved fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Cemetery uses the following procedure in establishing the budgetary data reflected in the financial statements:

Prior to the start of each fiscal year, an operating budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles. Reported budgeted amounts are as originally adopted or as amended by the Lakeview Cemetery Board. During the year, the Cemetery did not expend in excess of budgeted amounts.

NOTE 3: DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the Cemetery to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Cemetery is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Cemetery's deposits and investment policy are in accordance with statutory authority.

Cash Deposits

At December 31, 2004, the carrying amount of the Cemetery's cash deposits and certificates of deposits were \$63,540 and the bank balance was \$63,490. Of the bank balance, all of it was covered by federal depository insurance. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds.

NOTE 4: CAPITAL ASSETS

Capital assets, which include property, buildings, equipment and infrastructure assets (e.g., roads, fences and similar items), are reported in the government-wide financial statements. Depreciable capital assets are recorded by the Cemetery when the initial individual costs are equal to or greater than \$200 and have useful lives greater than a year. All land has been recorded, even though it's original cost was less than \$200. Any addition or improvement that either enhances a capital asset's efficiency or extends its expected useful life is also capitalized.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 4: CAPITAL ASSETS – CONTINUED

Buildings, site improvements and equipment are depreciated using the straight-line method over the following useful lives:

Buildings/Improvements	30-40 years
Site Improvements	7-40 years
Equipment	5- 7 years

Capital asset activity for the Cemetery was as follows:

	Jan. 1, 2004	Additions	Disposals	Dec. 31, 2004
Capital assets not being depreciated:				
Land	\$ 28,111	\$ -	\$ -	\$ 28,111
Capital assets being depreciated:				
Buildings	47,718	-	-	47,718
Site improvements	76,040	-	-	76,040
Equipment	75,728	10,713	9,963	76,478
Subtotal	199,486	10,713	9,963	200,236
Less accumulated depreciation:				
Buildings	11,759	1,317	-	13,076
Site improvements	28,157	5,232	-	33,389
Equipment	46,203	9,069	9,963	45,309
Subtotal	86,119	15,618	9,963	91,774
Net capital assets being depreciated:	113,367	(4,905)	-	108,462
Governmental activities net capital assets	\$ 141,478	\$ (4,905)	\$ -	\$ 136,573

NOTE 5: PROPERTY TAXES

Current Revenue

Property taxes attach as an enforceable lien on property as of December 1, and are collected principally in January through March of the following year. The Cemetery receives its property taxes through Little Traverse Township, West Traverse Township and the City of Harbor Springs. The Cemetery is permitted to levy taxes as deemed necessary for general governmental services.

The 2003 State taxable valuation as of April 10, 2003 was \$596,256,989, on which taxes levied consisted of .17 mills for general governmental services.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 5: PROPERTY TAXES – CONTINUED

Deferred Revenue and Taxes Receivable

Property taxes attaching as an enforceable lien on property as of December 1, 2004, and collected principally in December, 2004 through March, 2005 have been recorded as deferred revenue since they are not budgeted to fund expenditures until 2005. A receivable has been recorded for the portion of these taxes uncollected at December 31, 2004. The 2004 State taxable valuation was \$642,545,313, on which taxes levied consisted of .17 mills for general governmental services.

NOTE 6: RISK MANAGEMENT

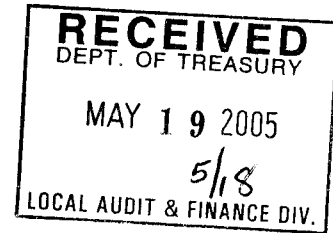
The Cemetery is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Cemetery maintains insurance to cover these risks.



Hill • Schroderus & Co., LLP
Certified Public Accountants & Consultants

May 2, 2005

Cemetery Board
Lakeview Cemetery Board
Harbor Springs, Michigan



In planning and performing our audit of the financial statements of Lakeview Cemetery Board for the year ended December 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Lakeview Cemetery Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Segregation of Duties – The Cemetery, as does other small governmental units, has various duties performed by the same individuals that may be performed by various individuals in a larger unit. The Treasurer is sole check signer, makes deposits and reconciles the bank statements. This lack of segregation of duties results in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Cemetery may occur and not be detected within a timely period. This condition was considered in determining the nature, timing and extent of the audit tests applied in our examination of the 2004 financial statements, and this comment does not affect our report on these financial statements dated May 2, 2005.

During the course of our audit, we noted additional general comments for your consideration as follows:

Budgeting – As the Cemetery is a governmental unit within the State of Michigan and receives most of its funding from property taxes the budget process as indicated in the Michigan Department of Treasury *Uniform Budget Manual* are required to be followed. This includes a public hearing with appropriate notice to interested citizens.

We would like to express our appreciation for the excellent cooperation we received while performing the audit. If we can be of any assistance, please do not hesitate to contact us.

Hill Schroderus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan